

# SENATE BILL No. 515

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-1.1.

**Synopsis:** Assessment of rental and cooperative property. Provides a property tax deduction for rental and cooperative housing. Establishes the method for determining the assessed value of rental and cooperative housing. Requires that evidence relevant to the value-in-use of rental and cooperative housing be considered in establishing the true tax value of the property.

**Effective:** Upon passage.

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### Johnson

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January 14, 2002, read first time and referred to Committee on Finance.

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Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

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# SENATE BILL No. 515



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-1.1-1-8.7 IS ADDED TO THE INDIANA CODE  
 2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE  
 3 UPON PASSAGE]: **Sec. 8.7. "Low income housing" means real**  
 4 **property that on an assessment date is used to obtain any of the**  
 5 **following benefits:**  
 6 (1) **Low income housing credits under Section 42 of the**  
 7 **Internal Revenue Code.**  
 8 (2) **Low interest loans for benefits from the United States**  
 9 **Department of Agriculture Rural Housing Section 515**  
 10 **Program.**  
 11 (3) **Below market, federally insured, or governmental**  
 12 **financing for housing, including tax exempt bonds under**  
 13 **Section 142 of the Internal Revenue Code for qualified**  
 14 **residential rental projects.**  
 15 (4) **A low interest loan under Section 235 or 236 of the**  
 16 **National Housing Act (12 U.S.C. 1715z or 12 U.S.C. 1715z-1)**  
 17 **or 42 U.S.C. 1485.**



1           **(5) A government rent subsidy for housing.**

2           **(6) A government guaranteed loan for a housing project.**

3           SECTION 2. IC 6-1.1-1-13.5 IS ADDED TO THE INDIANA  
4 CODE AS A NEW SECTION TO READ AS FOLLOWS  
5 [EFFECTIVE UPON PASSAGE]: **Sec. 13.5. (a) "Principal rental**  
6 **dwelling" refers to residential improvements to land that an**  
7 **individual with a leasehold interest in the property uses as the**  
8 **individual's principal place of residence, regardless of whether the**  
9 **individual is absent from the property while in a facility described**  
10 **in subsection (b).**

11           **(b) The term does not include any of the following:**

12           **(1) A hospital licensed under IC 16-21.**

13           **(2) A health facility licensed under IC 16-28.**

14           **(3) A residential facility licensed under IC 16-28.**

15           **(4) A Christian Science home or sanatorium.**

16           **(5) A group home licensed under IC 12-17.4 or IC 12-28-4.**

17           **(6) An establishment that serves as an emergency shelter for**  
18 **victims of domestic violence, homeless persons, or other**  
19 **similar purpose.**

20           **(7) A fraternity, sorority, or student cooperative housing**  
21 **organization described in IC 6-2.1-3-19.**

22           SECTION 3. IC 6-1.1-6.9 IS ADDED TO THE INDIANA CODE  
23 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
24 UPON PASSAGE]:

25           **Chapter 6.9. Rental and Cooperative Housing**

26           **Sec. 1. Except as provided in sections 2 and 3 of this chapter, an**  
27 **assessing official, for an original appraisal or an appeal of an**  
28 **appraisal, shall consider all relevant information in determining**  
29 **the true tax value of rental and cooperative housing to the extent**  
30 **that the information is allowed under the rules adopted by the state**  
31 **board of tax commissioners before January 1, 2002, or the**  
32 **department of local government finance after December 31, 2001.**  
33 **Relevant information consists of the following:**

34           **(1) Rental levels and income.**

35           **(2) Actual construction costs.**

36           **(3) Comparable properties.**

37           **(4) Appraisals of the use value of the property.**

38           **(5) Contract or deed restrictions requiring low income**  
39 **housing to be rented at less than its fair market rental value.**

40           **(6) Any other information compiled in accordance with**  
41 **generally accepted appraisal principles.**

42           **Sec. 2. The true tax value of low income rental housing shall be**

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1 determined using the capitalization of income method of valuation.

2 **Sec. 3.** The value of any tax incentive credits or other  
3 government subsidies, including below market financing, granted  
4 for the construction, conversion, or use of property as low income  
5 housing may not be considered in determining the true tax value of  
6 the property regardless of whether the credits or other subsidies  
7 are made available, directly or indirectly, to compensate the owner  
8 for the rental of low income housing at a rate that is less than the  
9 fair market rental rate for the property.

10 SECTION 4. IC 6-1.1-12-41 IS ADDED TO THE INDIANA CODE  
11 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
12 UPON PASSAGE]: **Sec. 41.** (a) This section applies to a multifamily  
13 dwelling with at least three (3) residential units that is owned by a  
14 cooperative, a common interest community, or an owner's  
15 association if at least eighty percent (80%) of the residential units  
16 that comprise the cooperative, common interest, or owner's  
17 association community are occupied by individuals who have:

18 (1) an ownership interest in the cooperative, common interest  
19 community, or owner's association; or

20 (2) an undivided ownership interest in the multifamily  
21 dwelling.

22 (b) An assessed value deduction for a multifamily dwelling  
23 described in subsection (a) is equal to twenty-five percent (25%) of  
24 the shelter allowance allowed for owner occupied residential  
25 property in the county where the real property is located under the  
26 rules adopted by the state board of tax commissioners before  
27 January 1, 2002, or the department of local government finance  
28 after December 31, 2001, multiplied by the number of units in the  
29 multifamily dwelling that are used as a principal dwelling by an  
30 individual who has:

31 (1) an ownership interest in the cooperative, common interest  
32 community, or owner's association; or

33 (2) an undivided ownership interest in the multifamily  
34 dwelling.

35 (c) A certificate of occupancy that complies with this subsection  
36 is prima facie evidence that a unit in the real property is available  
37 for use as a principal rental dwelling. To comply with this  
38 subsection, the certificate of occupancy must:

39 (1) be prepared on a form prescribed by the department of  
40 local government finance;

41 (2) be signed under penalties of perjury by the principal  
42 officer of the cooperative, common interest community, or

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1 owner's association; and

2 (3) indicate that an individual who has:

3 (A) an ownership interest in the cooperative, common  
4 interest community, or owner's association; or

5 (B) an undivided ownership interest in the multifamily  
6 dwelling;

7 used the unit as a principal rental dwelling on an assessment  
8 date or within two (2) years before the assessment date.

9 (d) To obtain the deduction under this section, the principal  
10 officer for the cooperative, common interest community, or  
11 owner's association must file a certified application in duplicate, on  
12 forms prescribed by the department of local government finance,  
13 with the auditor of the county in which the property is subject to  
14 assessment. The certified application must be filed before May 11  
15 in the year containing the assessment date to which the application  
16 applies.

17 SECTION 5. IC 6-1.1-12-42 IS ADDED TO THE INDIANA CODE  
18 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
19 UPON PASSAGE]: Sec. 42. (a) A taxpayer that is regularly engaged  
20 in the business of leasing real property to persons who use the real  
21 property as a principal rental dwelling is entitled to a deduction  
22 against the assessed value of the real property.

23 (b) This subsection applies to real property that consists of a  
24 single family dwelling that is used or regularly available to be used  
25 as a principal rental dwelling. The deduction against assessed value  
26 under this section for the real property is equal to one hundred  
27 percent (100%) of the shelter allowance applicable to owner owned  
28 residential property in the county where the real property is  
29 located, under the rules adopted by the state board of tax  
30 commissioners before January 1, 2002, or the department of local  
31 government finance after December 31, 2002.

32 (c) This subsection applies to real property that consists of a two  
33 (2) family dwelling in which at least one (1) unit is used or  
34 regularly available to be used as a principal rental dwelling. The  
35 deduction against assessed value under this section for the real  
36 property is equal to fifty percent (50%) of the shelter allowance  
37 applicable to owner owned residential property in the county  
38 where the real property is located, under the rules adopted by the  
39 state board of tax commissioners before January 1, 2002, or the  
40 department of local government finance after December 31, 2002,  
41 multiplied by the number of units in the real property that are used  
42 or regularly available for use as principal rental dwellings.

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1           (d) This subsection applies to a multifamily dwelling consisting  
 2 of at least three (3) units in which at least one (1) unit is used or  
 3 regularly available to be used as a principal rental dwelling. The  
 4 deduction against assessed value under this section for the real  
 5 property is equal to fifty percent (50%) of the shelter allowance  
 6 applicable to owner owned residential property in the county  
 7 where the real property is located, under the rules adopted by the  
 8 state board of tax commissioners before January 1, 2002, or the  
 9 department of local government finance after December 31, 2002,  
 10 multiplied by the number of units in the real property that are used  
 11 or regularly available for use as principal rental dwellings.

12           (e) A certificate of occupancy that complies with this subsection  
 13 is prima facie evidence that a unit in the real property is available  
 14 for use as a principal rental dwelling. To comply with this  
 15 subsection, the certificate of occupancy must:

- 16           (1) be prepared on a form prescribed by the department of
- 17           local government finance;
- 18           (2) be signed under penalties of perjury by the owner; and
- 19           (3) indicate that a tenant used the unit as a principal rental
- 20           dwelling on an assessment date or within two (2) years before
- 21           the assessment date.

22           (f) To obtain the deduction under this section, the owner must  
 23 file a certified application in duplicate, on forms prescribed by the  
 24 department of local government finance, with the auditor of the  
 25 county in which the property is subject to assessment. The certified  
 26 application must be filed before May 11 in the year containing the  
 27 assessment date to which the application applies.

28           SECTION 6. [EFFECTIVE UPON PASSAGE] (a) IC 6-1.1-6.9, as  
 29 added by this act, applies to assessment dates after December 31,  
 30 2002.

31           (b) The department of local government finance shall prescribe  
 32 the forms required under IC 6-1.1-12-41 and IC 6-1.1-12-42, as  
 33 added by this act, before August 31, 2002.

34           (c) IC 6-1.1-12-41 and IC 6-1.1-12-42, both as added by this act,  
 35 apply to property taxes first due and payable after December 31,  
 36 2002. Notwithstanding IC 6-1.1-12-41 and IC 6-1.1-12-42, both as  
 37 added by this act, a person that files a certified statement applying  
 38 the deduction under IC 6-1.1-12-41 or IC 6-1.1-12-42, both as  
 39 added by this act, before October 1, 2002, is eligible for the  
 40 deduction to the same extent as if the person had filed the certified  
 41 statement before May 11, 2002.

42           SECTION 7. An emergency is declared for this act.



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